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**State of Tennessee
Department of Financial Institutions**

Seventeenth Annual Report
1990



Talmadge B. Gilley, CFE
Commissioner

*Produced in cooperation with the
Center for Banking
College of Business
East Tennessee State University*

We wish to acknowledge the assistance of the staff of the Center for Banking, East Tennessee State University, and especially the Center director, Dr. H. Robert Bartell, Jr., CFE, in the preparation of this annual report. As with last year's report, the Center's assistance has contributed to making this report more informative and readable.

Talmadge B. Gilley, CFE
Commissioner
June 1991

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COMMISSIONER'S MESSAGE

Talmadge B. Gilley, CFE
Commissioner
Department of Financial Institutions

During 1990, state-chartered financial institutions in Tennessee continued to perform admirably when compared to their federally chartered counterparts in the state and when compared to similar institutions in other states. As Commissioner, I intend to do all I can to maintain this fine record of Tennessee-chartered financial institutions.

It has become increasingly evident in recent years that problems in the financial system contribute to weak economic performance overall. For that reason, the people of Tennessee have a great interest in strong, well-managed financial institutions to serve them. Since becoming Commissioner in early 1990, I have directed a major reorganization of the department staff to insure that our activities will contribute to the health of the financial institutions of the state for the benefit of all its citizens. The establishment of the Safety and Soundness Division, described later in this report, is the cornerstone of this reorganization.

There is one trend in banking regulation that I am most concerned about. It is the continuing drift toward federal government preemption of state banking laws. Recent legislative proposals in the U.S. Congress threaten an acceleration of this trend. The dual, state/federal system of sharing responsibility for financial

institution regulation has added to the strength and vitality of banking throughout the country. Many improvements in banking services and regulation have been initiated at the state level. A strong role for state regulation helps to insure that banks respond to local needs and priorities.

Governor McWherter and the National Conference of Governors have spoken out vigorously in favor of continuation of the dual, state/federal bank regulation system and against federal efforts to preempt state laws. I hope those in Washington who favor greater federal control will heed these arguments and that the dual system can be preserved.

Talmadge B. Gilley, CFE
Commissioner

STATE BANK SUPERVISORS MEET IN TENNESSEE

The Conference of State Bank Supervisors chose Tennessee as the site of their 1991 annual convention. The result was an all-time record attendance, due in large part to the support provided by Tennessee bankers.

Commissioner Gilley welcomed the more than 700 delegates to the convention during the First General Session at the Opryland Hotel in Nashville on April 20 and expressed his appreciation for the record turnout.



The Conference of State Bank Supervisors is the professional association of state bank regulators from all fifty states. As of year-end 1990, state banking departments regulated 8,828 state-chartered commercial and savings banks, representing almost 7 out of every 10 banks in the nation.

Also, foreign banks most often choose to operate their U.S. offices under state charter. Of the 580 foreign branches or agencies in the United States, 472 or 80 percent are state-chartered. These offices hold \$586 billion in assets or more than 90 percent of the assets of all foreign banking offices in this country.

State bank regulators frequently have responsibility for regulating other types of financial institutions. As in Tennessee, the banking department in many states also supervises the operations of savings and loans, credit unions, trust companies, and mortgage companies. The regulators assembled for the Nashville convention are responsible for overseeing organizations affecting the financial well-being of most U.S. consumers and businesses.

The primary mission of the Conference of State Bank Supervisors is to preserve and enhance the ability of states to regulate financial institutions so as "to meet the unique financial needs of local economies and their citizens." In short, CSBS seeks to promote and protect the "dual banking system" under which individual states and the federal government each have a role in chartering and regulating banking institutions in every state. CSBS support of the dual system includes representing the interests of the state banking system before federal regulatory and legislative bodies and providing programs to build professionalism in state regulatory personnel and processes.



L. William Seidman
Chairman of FDIC

The keynote speakers for the 1991 CSBS convention included L. William Seidman, Chairman of the FDIC and the Resolution Trust Corporation; Robert S. Bennett, counsel to the Senate Ethics Committee in the "Keating Five" investigation; James B. Watt, President of CSBS; and Chairman Elect of CSBS, Thomas H. Oldfield, Supervisor of Banking for the State of Washington.

In his speech, Chairman Seidman expressed strong support for the dual banking system, saying that while the great majority of banks were doing quite well, those supervised by state regulators were doing even better. "In fact, they are making money at better rates than their larger, federally-chartered competitors," Seidman observed. However, he cautioned: "We must contain the cost of deposit insurance [through regulatory reform] or it will jeopardize the whole banking industry and . . . the dual banking system."

CSBS spokesmen, Chairman Oldfield and President Watt reported to the delegates on the recent steps taken to strengthen state banking departments and to preserve the dual system. Watt expressed serious concern about legislation recently introduced in Congress that would weaken the role of state regulators, especially those sections of the Administration's proposed law which would override state control of interstate branching.

The CSBS president described an alternate bill developed by the Conference which would allow interstate branching but preserve the states' ability to control the geographic expansion of banks in accordance with each state's needs and preferences. Watt indicated that upholding states' rights in the area of interstate branching was essential to the continuation of the dual system.

The three-day convention included a number of other speakers, including the presidents of the American Bankers Association and the Independent Bankers Association, and panels dealing with bank profitability and bank/regulator relationships. In addition, the delegates from 46 states, the District of Columbia and Puerto Rico enjoyed a number of the Tennessee capital's visitors' attractions.



Thomas H. Oldfield
Chairman-Elect, CSBS
Supervisor of Banking
Washington

DEPARTMENT OF FINANCIAL INSTITUTIONS SENIOR STAFF



Talmadge B. Gilley, CFE
Commissioner



Kathryn R. Edge
Assistant Commissioner
Safety and Soundness Division



Harry P. (Pat) Linn, CFE
Assistant Commissioner
Administrative and Support Services
Division



Will T. (Tom) Hamm
Assistant Commissioner
Compliance Division



Billy H. Thomas
Assistant Commissioner
Credit Union Examination Section

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF

OFFICE OF THE COMMISSIONER

Talmadge B. Gilley, CFE, Commissioner
Alma C. (Tina) Smith, Administrative Assistant
Linda P. Clark, Executive Secretary

ADMINISTRATIVE AND SUPPORT SERVICES DIVISION

Harry P. Linn, CFE, Assistant Commissioner
Carolyn G. Merhar, Personnel Analyst

FISCAL SERVICES SECTION

Sheila P. Street, Administrative Services Assistant
Barbara A. Jones, Administrative Services Assistant
Stefanie D. Milam, Word Processing Operator
Jeffery K. Edwards, Secretary

INFORMATION SYSTEMS AND EDP EXAMINATION SECTION

William B. Wooten III, CISA, CDRP, AFE, CSP, Director
Wanda E. Smith, Manager Computer Operations
Lowell V. Hunt, CE-EDP, Manager, EDP Examinations
Donna J. Warren, CISA, EDP Examiner
Jeffery G. Goodwin, EDP Examiner

LEGAL DIVISION

Greg Gonzales, Director
Elizabeth A. Clark, Staff Attorney
Roger W. Thomas, Staff Attorney
Sylvia C. Mitchell, Executive Secretary
Barbara S. Maxwell, Executive Secretary

COMPLIANCE DIVISION

Will T. Hamm, Assistant Commissioner
Edward N. Yager, AFE, Director
Harold K. Borum, Supervisor
Martha G. Agee, Executive Secretary
Jeanette M. Scruggs, Administrative Secretary

FIELD STAFF

Chris L. Adams, II
Francis B. Crawford, II
Patrick C. Ryan, I
Bobby Hardaway, II
Gene A. Smith, II

SAFETY AND SOUNDNESS DIVISION

Kathryn R. Edge, Assistant Commissioner
Debra T. Clark, Executive Secretary
Clarence H. Nixon, CBA, Special Examiner

FINANCIAL ANALYSIS AND TRAINING SECTION

Curtis F. Faulkner, CFE, Program Administrator
Paula H. Bell, Administrative Secretary
Harry P. Murphy, CFE, Financial Analyst
Kenneth R. Hensley, CFE, Financial Analyst

APPLICATIONS SECTION

Mark C. McDowell, CFE, Program Administrator

"CFE" Certified Financial Examiner; "AFE" Accredited Financial Examiner; "CPA" Certified Public Accountant; "CBA" Certified Bank Auditor;
"CISA" Certified Information Systems Auditor; "CE-EDP" Certified Examiner Electronic Data Processing; "CDRP" Certified Disaster Recovery Planner;
Roman numerals denote field examiner level.

SPECIAL SUPERVISORY SECTION

Marian E. Garland, CFE, Program Administrator
Joe B. Hollis, CFE, Special Examiner

TRUST EXAMINATION SECTION

Vivian Y. Scruggs Lamb, CFE, Program Administrator
Robert R. Neyland, Jr., II

BANK EXAMINATION SECTION

Derek L. Carrier, CFE, Program Administrator
Jean E. Jackson, Administrative Secretary

FIELD STAFF**West Tennessee**

R. Douglas Baker, CFE, Manager

Region # 1

Jerry L. Webb, CFE, Supervisor
James R. Halford, CFE, IV
Danny N. Nolen, CFE, IV
Terry G. Warren, CFE, IV
Benjamin L. Horton, II

David T. Reynolds, AFE, II
Jerry W. Davis, II
Jayne J. Parrish, I
Robert E. Shannon, I

Region # 2

Jimmy G. Taylor, CFE, Supervisor
Vonzille W. McClendon, CFE, IV
Shirley D. Sanderson, CFE, IV
Calvin B. Allen, AFE, III

Phillip E. Stafford, AFE, III
Karen L. Herz, AFE, II
Van A. Davidson, II
Laurie G. Willis, II

Middle Tennessee

James S. Douthit, CFE, Manager

Region # 3

Irving B. Ginsberg, CFE, IV
Stephen R. Eddings, AFE, IV
Mary W. Hunt, AFE, II
Warren L. Pedigo, II
Patrick B. Ragan, II
Glen E. Rainey, II
James G. Franklin, I

Region # 4

Harrison C. White, CFE, Supervisor
Teresa R. Averitt, II
Michael D. Officer, II
Tim Shanklin, I
Marsha C. Dubin, I
Johnny W. Duncan, I
Winfield D. Howard, I

Region # 5

Joe P. Boaz, CFE, Supervisor
Storm A. Miller, AFE, II
Anthony T. Rice, II
Joyce Simmons, CPA, AFE, II
Philip G. Calahan, I
H. Greg Perry, I
Tod K. Trulove, I

East Tennessee

Kenneth Kelley, CFE, Manager

Region # 6

Chester Justice, Supervisor
William A. Cave, CFE, IV
Billy W. McCullough, AFE, IV
Teresa D. Weaver, AFE, IV

Carol C. Killen, III
Alfred M. Hacker, II
Timothy J. Poteet, I

Region # 7

Claude N. Huff, CFE, Supervisor
Louella K. Hensley, CFE, IV
Kenneth R. Roberts, CFE, IV
Robin R. Culbertson, III

Lance C. Hogelin, III
Johnathan T. Piper, AFE, III
Gregory L. Davis, II
Suzan C. Stewart, II

CREDIT UNION EXAMINATION SECTION

Billy H. Thomas, Assistant Commissioner
Dennis H. Shipp, CFE, Manager
Shirley F. Gilley, Executive Secretary
Linda H. Vettloe, Secretary

FIELD STAFF

Bill K. R... CFE, IV
Eric D. Batts, AFE, III
Thomas S. Harper, AFE, III

David N. Bobo, II
Arnold R. Spurill, II
Vickie L. Young, AFE, II
Marie W. Brandt, I

Frank G. Bale, CFE, V
John R. Shires, CFE, V
Robin D. Conway, AFE, IV
Paul L. Foster, CFE, IV
Randall D. Means, CFE, IV

SAFETY AND SOUNDNESS DIVISION



Kathryn R. Edge
Assistant
Commissioner

The Safety and Soundness Division was organized in September 1990 to consolidate the functions of the prior Bank Examination Division and the Credit Union Examination Division. Headed by Assistant Commissioner Kathryn R. Edge, the division is charged with the regulation and supervision of all state-chartered banks, credit unions, savings and loan associations, and trust companies. The division is partitioned into six sections: Bank Examination Section, Credit Union Examination Section, Trusts Examination Section, Special Supervisory Section, Applications Section, and Training and Financial Analysis Section.

Louise H. Johnson
CFE
Assistant
Commissioner
Retired 1990



The department both celebrated and was saddened by the retirement of Ms. Louise Johnson on August 30, 1990. Ms. Johnson began her career with the department in 1970 as a bank examiner, one of two women hired at that time to travel the state and examine financial institutions. In 1981 she was promoted to assistant commissioner of the Bank Division where she served with distinction until her retirement. Ms. Johnson's leadership and cheerful nature made her a valued asset to the department and a cherished friend.



Derek L. Carrier, CFE
Program Administrator

The Bank Examination Section is managed by Program Administrator Derek L. Carrier who supervises financial institutions examiners charged with the responsibility of examining state banks and savings and loan associations. Three Financial Institutions Safety and Soundness managers, Kenneth Kelley, R. Douglas Baker and James S. Douthit,

manage examiners in the three grand divisions of the state. They are supported by six Financial Institutions Safety and Soundness supervisors who have direct supervisory authority over approximately sixty financial institutions examiners.

The Bank Examination Section monitors the safety and soundness of each state bank and savings and loan association through the process of examination and visitation, as well as off-site monitoring. Examiners meet with boards of directors of the institutions to offer guidance and explain examination findings. In 1990 the section saw significant turnover in the examining force, principally because banks view examiners as assets to their loan review and audit functions. The section has been able to replace examiners who have left the department for the private sector but acknowledges that training for these new examiners will be a priority for 1991. The section is supported by Administrative Secretary Jean E. Jackson.



Left to Right: James S. Douthit, Derek L. Carrier, Kenneth Kelley, Kenneth R. Hensley (standing), R. Douglas Baker, Marian E. Garland



Billy H. Thomas
Assistant Commissioner

The Credit Union Examination Section, managed by Assistant Commissioner Billy H. Thomas, is responsible for the regulation and supervision of state-chartered credit unions. Financial Institutions Safety and Soundness manager Dennis Shipp schedules the examinations of credit unions and assists in the administration of the section. Thirteen examiners work in defined regions of the state. Like their counterparts in the Bank Examination Section, credit union examiners examine institutions for compliance with governing laws and regulations and for adherence to safe and sound principles of financial institutions management. Credit unions in Tennessee may choose between federal deposit insurance through the National Credit Union Administration or private deposit insurance with Mutual Guaranty Corporation. MGC is also regulated and supervised by the department through the Credit Union Section. The section is supported by Executive Secretary Shirley F. Gilley and Secretary Linda H. Vetitoe.



Dennis H. Shipp, CFE
Safety & Soundness
Manager

Program Administrator Vivan Scruggs Lamb manages the **Trusts Examination Section**, and with the assistance of Examiner Robert R. Neyland, Jr., examines the trust departments of state banks as well as five state-chartered trust companies. In large institutions, examinations are often conducted concurrently with the Federal Deposit Insurance Corporation or the Federal Reserve System. The examination of trust departments requires a broad knowledge of the law relating to private and corporate trusts and estates, as well as the myriad of investment vehicles available. Administrative Secretaries Jean E. Jackson and Paula H. Bell support the section.



Vivian Y. Scruggs Lamb
CFE
Program Administrator

The Special Supervisory Section monitors the progress of state banks which have received a CAMEL rating of "3," "4," or "5," at either a state or federal examination. Program Administrator Marian E. Garland, with the assistance of Special Examiner Joe B. Hollis, supervises these "watch list" institutions and assists the Legal Division in the preparation of any necessary administrative enforcement actions. The goal of the section is to remove banks from the troubled designation and assist them in returning to good financial health. The section is supported by Paula H. Bell, administrative secretary.



Marian E. Garland, CFE
Program Administrator



Mark C. McDowell, CFE
Program Administrator

Program Administrator Mark C. McDowell heads the **Applications Section**. The section is responsible for the review and analysis of all applications made to the department for new banks, credit unions, trust companies, savings and loan associations, savings banks, and BIDCO's. In addition, the section analyzes all applications for mergers, acquisitions, branches, securities and insurance subsidiaries and related powers, and inter- and intra-state acquisitions and consolidations. The process includes both on-site visitations, consultations with management, attorneys, accountants, and other parties, as well as in-house analysis of the financial information provided by the applicant. The goal of the Applications Section is to identify any initial concerns which may forewarn significant problems. Particular attention is paid to the quality and expertise of management and to the level of capital protection afforded by the institution. The legal review of all applications is conducted by Assistant Commissioner Kathryn R. Edge. The section is supported by Executive Secretary Debra T. Clark, who also serves as special assistant to the assistant commissioner.

The Training and Financial Analysis Section

serves two major functions: the training of financial institutions examiners and other division personnel; and the review and analysis of bank examination reports. Program Administrator Curt Faulkner heads the section and is primarily responsible for training. Financial Analysts Pat Murphy and

Kenneth Hensley work primarily in the review function but also provide other analytical and training assistance division-wide. The analysts work closely with the Program Administrator for Bank Examinations to produce a product as nearly error-free as possible. Efforts have been made this year to expedite the review process and to provide reports of examination to the banks as soon as possible after the close of the examination. Because of significant examiner turnover in 1990, the training function of the section has been working in higher gear to bring trainees along as quickly as possible. Paula H. Bell, administrative secretary, supports this section.



Curtis F. Faulkner, CFE
Program Administrator



Harry P. (Pat) Murphy, CFE
Financial Analyst

Kenneth R. Hensley, CFE
Financial Analyst

COMPLIANCE DIVISION



Will T. (Tom) Hamm
Assistant
Commissioner

The Compliance Division is headed by Assistant Commissioner Tom Hamm and served by a staff of nine. The division is responsible for the regulatory oversight of four types of company operations in Tennessee:

- Industrial loan and thrift companies
- Insurance premium finance companies
- Home mortgage servicing, lending and brokering
- Money order issuers

Regulatory oversight activities of the division include licensing, examination and complaint resolution. The primary purpose of regulatory oversight is protection of consumers from excessive charges and insuring prompt resolution of consumer complaints.

The Compliance Division is not required to examine residential mortgage companies but instead to test compliance with the law by processing and following up on consumer complaints.

Insurance premium finance companies provide funding to Tennesseans who need assistance in financing the cost of insurance premiums. Many out-of-state companies are licensed to do business in Tennessee.

Each industrial loan and thrift is examined by the division's field examiners at least twice each year. Unlike bank and credit union examinations, which focus primarily on the financial condition of the institution, Compliance Division examinations are designed to test compliance with state laws limiting the amount of interest, loan charges, and insurance charges that can be charged to customers and prohibiting certain coercive practices relating to credit insurance requirements and collection procedures.

LEGAL DIVISION



Greg Gonzales
Director

The Legal Division provides legal advice and representation for the department. The division consists of a director, two staff attorneys and two support staff persons. Generally, the Legal Division researches legal issues and provides opinions to departmental staff. The division represents the department in administrative proceedings and assists in the promulgation of rules and in the review of legislation. Department lawyers also are responsible for answering questions from financial institutions and assisting the general public in the resolution of consumer complaints. Sylvia Mitchell and Barbara Maxwell provide support assistance to the Legal Division.

Greg Gonzales was appointed Director of Legal Services in 1990. Mr. Gonzales is responsible for ensuring that the commissioner and all departmental staff members receive legal counsel and assistance when needed. Beyond his general supervisory duties, Mr. Gonzales concentrates in the area of banking law, the regulation of non-bank money transmitters and legislative affairs.

Staff Attorney Ann Clark concentrates in the area of credit union law. She is also responsible for ensuring that all consumer inquiries are properly addressed and resolutions of complaints achieved, if possible. Ms. Clark was recently appointed as the chief records officer for the department.

Staff Attorney Roger Thomas works closely with the Compliance Division in the regulation of industrial loan and thrift companies. He concentrates in the area of litigation. Mr. Thomas also provides counsel to the Safety and Soundness Division on securities matters.



Elizabeth A. (Ann) Clark
Staff Attorney



Roger W. Thomas
Staff Attorney

ADMINISTRATIVE AND SUPPORT SERVICES DIVISION



Harry P. (Pat) Linn
CFE
Assistant
Commissioner

The Administrative and Support Services Division was organized in 1979 and is headed by Assistant Commissioner H. P. "Pat" Linn. Thirteen persons are assigned to this division to handle the administrative affairs of the department, including two major support service areas: information systems and EDP examinations.

The division is partitioned into three sections: Fiscal Services Section, Personnel Section, and Information Systems and EDP Examination Section.

The **Fiscal Services Section** is managed by Sheila P. Street who is assisted by Administrative Services Assistant Barbara Jones; Work Processing Operator Stefanie D. Milam; and Secretary Jeffery Edwards. The budgeting process is coordinated by Mrs. Street and all accounts payable, accounts receivable, purchasing and office service functions for the department are handled by this section.

The Department of Financial Institutions is a self-funded agency with fees paid by the state-chartered financial institutions that are regulated by the department. In the past, the department reverted any excess funds at the fiscal year end to the state's general fund. In 1990, an agreement was reached by which the department would be charged an administrative overhead each year to cover the cost of general government and any remaining excess would go to a reserve account for exclusive use by the Department of Financial Institutions.



Sheila P. Street
Administrative
Services Assistant



Barbara A. Jones
Administrative
Services Assistant



Carolyn G. Merhar
Personnel Analyst

The Personnel Section is managed by Carolyn G. Merhar. She is responsible for processing applicant, employee, position and payroll transactions for the department's 120 positions. In addition, performance evaluations for each career service employee are coordinated by Ms. Merhar. She maintains the official personnel record for each employee of the department and also serves as the department insurance officer, in-service training officer, and affirmative action/EEO officer.

During 1990, Tennessee state government felt the effects of an economic recession in the state. Revenue projections from state sales tax collections were off and caused state government agencies to reduce their budgets. The department was asked to cut \$116,274 from its FY 90-91 budget. This resulted in the abolishment of a vacant bank examiner position and cutbacks in printing, travel, equipment purchases, supplies and training. In addition, the department kept three positions assigned to the central office vacant throughout the year.



William B. Wooten, III
CISA, CDRP, AFE, CSP
Director

The Information Systems and EDP Examinations Section is directed by William B. Wooten, III, who is assisted by Computer Operations Manager Wanda E. Smith, EDP Examinations Manager Lowell V. (Mike) Hunt and two EDP examiners, Donna J. Warren and Jeffery G. Goodwin.

The department has an IBM System 36 computer with 32 PCs attached and 50 portable PCs used by field examiners. Dial-up capability is available to field personnel for transmitting examination reports from the field to the central office and accessing the FDIC computer in Washington.

Automated systems for handling consumer complaints and enforcement action tracking are implemented, and word processing and electronic spreadsheet software are used throughout the department. The department has in place long range data processing plans, but due to budgetary constraints, systems development has been curtailed.



Wanda E. Smith
Computer Operations
Manager

In the area of EDP examinations, during 1990 the EDP examiners moved forward to enforce the commissioner's requirement that all state-chartered financial institutions implement a comprehensive disaster recovery plan.



Lowell V. (Mike) Hunt
CE-EDP
EDP Examinations
Manager

In the past, the focus has been contingency planning for computer operations in the event of a disaster. As financial institutions have become dependent on electronic data processing, the loss or extended disruption of business operations poses a substantial risk and has caused the commissioner to require an institution-wide emphasis on disaster planning as opposed to merely focusing on centralized computer operations.

Guidelines for total disaster planning were prepared and distributed to all state-chartered, deposit-taking financial institutions during 1990.

Each financial institution's disaster recovery plan addresses how, in the event of a disaster, customers will be provided services. The objectives are to minimize disruptions of services to the institution and its customers, minimize financial loss, and ensure a timely resumption of operations in the event of a disaster.

INDUSTRY DEVELOPMENTS

BANKING

The number of banks headquartered in Tennessee declined in 1990 by 16, continuing a trend that has been accelerating in recent years and is evident in many other states as well. However, unlike many other states, bank failures are not the primary cause of the drop in numbers of banks in Tennessee. Instead, the primary cause is the consolidation of smaller subsidiary banks of large holding companies into a state-wide or regional mega-banks. The offices of the disappearing banks usually continue operation as branches of the consolidated bank, so public access to banking services is not reduced.

The primary purpose of these consolidations is the reduction of overhead costs, which may eventually lower the cost of banking services to the public. The danger is that some branch offices, directed from faraway headquarters, may not be as sensitive to local needs. Fortunately for Tennesseans, there are a large number of smaller, community-oriented banks which focus primarily on local banking needs.

State-chartered banks make up the vast majority of smaller banks in Tennessee. Two hundred nine of the 253 banks headquartered in the state, or over 80 percent, are chartered, regulated and supervised by the Tennessee Department of Financial Institutions. The remaining 44 banks are chartered by the U.S. Comptroller of the Currency, the regulator of national banks. The total assets of the average state-chartered bank at the end of 1990 were \$106 million; the total assets of the average national bank in Tennessee were over five times greater at \$574 million.

Bank Performance

Despite being far smaller on average, state-chartered banks are more profitable, have lower operating expenses, fewer problem loans and more equity capital than their larger, nationally-chartered neighbors. However, these performance measures have deteriorated somewhat in recent years for both state and national banks, in Tennessee and elsewhere. For example, return on assets (ROA), a frequently used standard of bank performance, for state-chartered banks was 0.6% in 1990, down from 0.8% in 1989. National banks in Tennessee earned a substantially lower ROA of 0.2% in 1990 and 0.4% in 1989. The average ROA for all banks in the U.S. in 1990 was 0.6%. A comparison of Tennessee and all U.S. banks on various performance measures is shown in Table II.

TABLE I

BANKS IN TENNESSEE 1986 - 1990						
	State		National		All	
	1986	1990	1986	1990	1986	1990
Number of Banks	227	209	58	44	285	253
Total assets (billions)	\$16.9	\$22.2	\$22.0	\$25.2	\$38.9	\$47.4
Average assets (millions)	\$74.5	\$106.0	\$379.9	\$573.8	\$136.6	\$187.4

Banking Activity

Banking activity in Tennessee grew more slowly during 1990 than in recent years, reflecting the slowdown in economic activity in the state. Assets of banks headquartered in the state grew by 3.4% to a total of \$47.4 billion. State-chartered banks had \$22.2 billion in assets at year-end as compared to \$25.2 billion for national banks. The 3.4% growth in 1990 was substantially below the 5% average growth rate for Tennessee bank assets over the past five years.

Lending activity also grew far less rapidly in 1990 as compared to the past five years. Loans at banks in the state increased less than 2% after growing at a rate of over 6% annually on average since 1986. As a result, the loan-to-deposit ratio for Tennessee banks declined in 1990 for the first time in many years. State-chartered banks showed a somewhat greater willingness to lend, as their loan-to-deposit ratio grew slightly to 68.7% at year-end 1990 from 68.0% a year earlier.

National banks have traditionally had a higher loan-to-deposit ratios than state banks. However, this difference has been narrowing in recent years. At the end of 1990, national banks had loaned out 73.0% of deposits, down slightly from 73.3% in 1989.

Undoubtedly, the slow growth of lending activity by banks in Tennessee reflects the economic recession. However, some part can be traced to the poor results of some loans made in the past. With higher numbers of troubled loans and higher loan losses pulling down earnings and capital ratios, banks were not as eager to expand lending in 1990 as in previous years.

TABLE II

A COMPARISON OF TENNESSEE VS. U.S. BANKS, 1990

Performance Measures	Tennessee Banks			All U.S. Banks
	State	National	All	
Return on assets	0.6%	0.2%	0.4%	0.6%
Return on equity	7.7%	3.2%	5.5%	9.7%
Operating expenses to total assets	0.3%	0.4%	0.3%	NA
Troubled assets to total assets	1.4%	2.6%	2.1%	2.7%
Equity to assets	8.0%	6.5%	7.2%	6.5%

CREDIT UNIONS

Credit unions in Tennessee continued the strong growth of recent years. Total assets increased by more than 9%, while income and capital ratios improved. State-chartered credit unions grew even faster than federal credit unions headquartered in Tennessee, and their financial performance equalled or exceeded their federal counterparts.

TABLE III

CREDIT UNIONS IN TENNESSEE 1986 - 1990						
	State		Federal		All	
	1986	1990	1986	1990	1986	1990
Number of Credit Unions	263	222	143	129	406	351
Total assets (billions)	\$2.1	\$2.8	\$1.5	\$2.0	\$3.6	\$4.8
Average assets (millions)	\$7.9	\$12.6	\$10.7	\$15.5	\$8.9	\$13.7

Return on assets for both types of charters was 0.9%. For state-chartered credit unions, this was a substantial improvement over past years. Capital ratios, a primary measure of safety, also improved over previous years. For state-chartered credit unions, capital was 8.1% of assets; for federal credit unions, the ratio was 7.4%. Capital ratios for both types of institutions have increased by 1% or more in the last two years.

Despite the strong growth in assets and capital, Tennessee credit union lending activity increased very little in 1990. In large part, this reflects the caution of consumers, who have cut back sharply in their spending during the recession, especially for major purchases such as autos and homes. As a result, credit union loans in the state grew less than 1% in 1990, down sharply from the 7% plus average annual growth over the past five years.

The number of credit unions operating in the state fell by 8 during 1990. This continues a trend toward fewer, but larger, units. As compared to five years ago, the number of credit unions in Tennessee has declined from 406 to 351, while the average total assets have increased from \$8.9 million to \$13.8 million. State-chartered credit unions, with \$12.8 million average assets, are somewhat smaller than federal credit unions with \$15.6 million average assets.

Like banks in Tennessee, state-chartered credit unions are smaller and more numerous than their federal counterparts. Nevertheless, by most performance measures, state-chartered credit unions compare favorably with federal credit unions in the state.

TABLE IV

A COMPARISON OF TENNESSEE STATE- AND FEDERALLY-CHARTERED CREDIT UNIONS, 1990

Performance Measures	State*	Tennessee Credit Unions	
		Federal	All
Return on assets	0.9%	0.9%	0.9%
Return on equity	11.2%	11.5%	11.3%
Operating expenses to total assets	2.9%	3.5%	3.1%
Troubled assets to total assets	0.3%	0.4%	0.3%
Equity to assets	8.1%	7.4%	7.8%

*Includes Volunteer Corporate Credit Union and Mutual Guaranty Corporation.

SAVINGS INSTITUTIONS

The state-chartered savings and loan system in Tennessee is on the verge of disappearing. This is the result of two nationwide trends. It is well known that savings institutions have failed in unprecedented numbers in recent years. In addition, many of the surviving institutions have converted from state charters to federal charters. The primary impetus for conversion is the continuing preemption of state savings and loan laws and regulations by the federal government. Thus the advantages of holding a state charter have all but disappeared.

In 1990, the number of state-chartered savings institutions in Tennessee declined from six to two. Assets fell from \$285 million to \$34 million. During the year, two state-chartered institutions failed, and their deposits were assumed by commercial banks. Two institutions converted their charters. One became a state-chartered commercial bank; the other, a federal savings bank.

As compared to five years ago, the total number of savings institutions in the state, both state and federally chartered, dropped from 64 to 51 and total assets increased only slightly from \$10.8 billion to \$11.0 billion. As a result, savings institutions in the state have lost substantial market share to commercial banks and credit unions. This trend is likely to continue.

TABLE V

SAVINGS INSTITUTIONS IN TENNESSEE 1986 - 1990

	State		Federal		All	
	1986	1990	1986	1990	1986	1990
Number of Savings Institutions	10	2	54	49	64	51
Total assets (billions)	\$4	\$0.3	\$10.4	\$10.9	\$10.8	\$11.0
Average assets (millions)	\$39.5	\$16.9	\$194.4	\$223.5	\$170.0	\$215.2

OVERVIEW OF 1990 STATE LEGISLATION AND REGULATIONS

A. STATE LEGISLATION

PUBLIC CHAPTER 624 - Amended the Tennessee Savings & Loan Act to allow state-chartered savings and loan associations to branch across county lines subject to approval by the commissioner.

PUBLIC CHAPTER 644 - Amended the Tennessee Banking Act to allow state-chartered banks to branch across state lines subject to approval by the commissioner.

PUBLIC CHAPTER 650 - Amended the Tennessee Savings & Loan Act to allow for nationwide interstate expansion on a reciprocal basis.

PUBLIC CHAPTER 685 - Amended the Industrial Loan and Thrift Company Act to place \$15.00 limit on the charge an industrial loan and thrift company may impose for the return of unpaid or dishonored checks. (T.C.A. §45-403(7)).

PUBLIC CHAPTER 759 - Amended T.C.A. §45-2-1709 to allow the commissioner to permit, upon application, a subsidiary of a bank holding company to use the words "bank," "banks," or "banking" in the subsidiary's name.

PUBLIC CHAPTER 788 - Amended the Tennessee Residential Lending, Brokerage and Servicing Act of 1988 to require registrants under that Act to have and maintain a tangible net worth of at least \$25,000 for each office located within the state of Tennessee.

PUBLIC CHAPTER 813 - Allows for nationwide interstate banking on a reciprocal basis.

PUBLIC CHAPTER 857 - Amended the definition of an "endorsement company" contained in T.C.A. §45-5-102(5) to allow isolated instances in which a natural person may refer a potential borrower to a registrant and receive a fee for that referral without being deemed an endorsement company. This is allowed only when the person making the referral does not represent itself to be a loan broker or endorsement company.

PUBLIC CHAPTER 1043 - Created the Collateral Pool for Public Deposits Act of 1990. This Act allows banks to lower their costs in securing government deposits.

PUBLIC CHAPTER 108 - Amended various portions of Tennessee Code Annotated Title 67, Chapter 4, to provide for the taxation of financial institutions under the Excise Tax Law and the Franchise Tax Law.

B. STATE REGULATIONS

CHAPTER 0180-19 - Sets forth the scope of permissible securities activities for state-chartered banks and an application process for those banks wishing to engage in activities set forth in T.C.A. §45-2-1802.

STATEMENT OF CONDITION
TENNESSEE STATE BANKS
(in \$ thousands)

	1989	1990
ASSETS		
Cash and Due from Banks	\$ 1,543,133	\$ 1,559,140
Securities	5,434,327	5,611,309
Federal Funds Sold and Repurchase Agreements	1,232,289	1,030,026
Total Loans and Leases	13,006,418	13,190,769
Reserve for Loan Losses	(184,821)	(219,394)
Assets Held in Trading Accounts	1,701	855
Premises and Fixed Assets	403,883	394,295
Other Real Estate Owned	76,132	97,874
Investments in Unconsolidated Subsidiaries	6,851	3,421
Customer Liabilities on Acceptances Outstanding	59,857	61,247
Intangible Assets	26,594	18,542
Other Assets	387,098	411,876
Total Assets	21,993,462	22,159,960
LIABILITIES		
Noninterest-Bearing Deposits-Domestic	2,710,461	2,565,872
Interest-Bearing Deposits-Domestic	16,220,232	16,433,906
Interest-Bearing Deposits-Foreign	195,081	210,008
Total Deposits	19,125,774	19,209,786
Federal Funds Purchased and Reverse Repurchase Agreements	661,140	749,975
Demand Notes Issued to the U.S. Treasury	44,489	46,095
Other Borrowed Money	10,769	30,012
Mortgage Indebtedness	28,249	26,694
Banks Liability on Acceptances	62,111	61,247
Notes and Debentures	7,336	5,090
Other Liabilities	261,785	254,226
Total Liabilities	20,201,653	20,383,125
EQUITY CAPITAL		
Preferred Stock	11,331	10,631
Common Stock	230,773	222,942
Surplus	441,421	439,170
Undivided Profits and Capital Reserves	1,108,284	1,104,092
Total Equity Capital	1,791,809	1,776,835
Total Liabilities and Equity Capital	21,993,462	22,159,960

STATEMENT OF CONDITION
TENNESSEE NATIONAL BANKS
(in \$ thousands)

	1989	1990
ASSETS		
Cash and Due from Banks	\$ 2,485,047	\$ 2,430,482
Securities	5,157,700	5,795,502
Federal Funds Sold and Repurchase Agreements	590,937	891,901
Total Loans and Leases	14,746,235	15,084,396
Reserve for Loan Losses	(293,250)	(402,843)
Assets Held in Trading Accounts	119,270	159,526
Premises and Fixed Assets	318,422	357,663
Other Real Estate Owned	81,116	232,771
Investments in Unconsolidated Subsidiaries	9,776	9,938
Customer Liabilities on Acceptances Outstanding	10,411	19,965
Intangible Assets	56,824	75,773
Other Assets	575,385	593,037
Total Assets	23,857,873	25,248,111
LIABILITIES		
Noninterest-Bearing Deposits-Domestic	3,644,414	3,889,778
Interest-Bearing Deposits-Domestic	15,386,148	16,740,145
Interest-Bearing Deposits-Foreign	39,472	32,268
Total Deposits	19,070,034	20,662,191
Federal Funds Purchased and Reverse Repurchase Agreements	2,438,457	2,168,375
Demand Notes Issued to the U.S. Treasury	64,039	25,423
Other Borrowed Money	181,794	210,345
Mortgage Indebtedness	10,318	9,903
Banks Liability and Acceptances	10,411	19,965
Notes and Debentures	136,990	100,750
Other Liabilities	407,238	412,801
Total Liabilities	22,319,281	23,609,753
EQUITY CAPITAL		
Preferred Stock	1,000	0
Common Stock	211,328	238,973
Surplus	403,086	410,493
Undivided Profits and Capital Reserves	923,178	988,892
Total Equity Capital	1,538,592	1,638,358
Total Liabilities and Equity Capital	23,857,873	25,248,111

STATEMENT OF CONDITION
TENNESSEE STATE SAVINGS INSTITUTIONS
(in \$ thousands)

	1989	1990
ASSETS		
Cash and Demand Deposits	\$ 3,197	\$ 2,059
U.S. Government Agency Securities	10,889	3,981
Other Investments	26,521	3
Mortgage Loans	199,761	21,487
Commercial Loans	8,820	1,181
Consumer Loans	3,343	4,824
Accrued Interest on Loans	4,645	229
Reposessed Assets	2,440	54
Real Estate Investments	10,819	0
Service Corporations/Subsidiaries	2,151	15
Fixed Assets	5,386	686
Other Assets	7,178	284
Valuation Allowances	(483)	(922)
Total Assets	284,667	33,881
LIABILITIES		
Deposits	251,070	30,853
Borrowings		
FHLB Advances	13,111	1,000
Other Borrowed Money	23,217	0
Other Liabilities	4,538	631
Total Liabilities	291,936	32,484
EQUITY CAPITAL		
Common Stock	6,982	2,051
Retained Earnings	(14,251)	(654)
Total Equity Capital	(7,269)	1,397
Total Liabilities and Equity Capital	284,667	33,881

STATEMENT OF CONDITION
TENNESSEE FEDERAL SAVINGS INSTITUTIONS
(in \$ thousands)

	<u>1989</u>	<u>1990</u>
ASSETS		
Cash and Demand Deposits	\$ 150,245	\$ 419,424
U.S. Government Agency Securities	538,340	2,146,713
Other Investments	900,077	539,629
Mortgage Loans	7,845,802	6,248,594
Commercial Loans	267,409	220,508
Consumer Loans	759,978	728,235
Accrued Interest on Loans	80,493	61,616
Reposessed Assets	158,969	221,150
Real Estate Investments	1,326	152
Service Corporations/Subsidiaries	121,490	101,961
Fixed Assets	153,436	146,490
Other Assets	362,137	318,176
Valuation Allowances	(15,221)	(211,198)
Total Assets	11,324,481	10,941,450
LIABILITIES		
Deposits	9,659,979	9,407,238
Borrowings		
FHLB Advances	402,955	365,027
Other Borrowed Money	307,003	297,007
Other Liabilities	223,506	187,598
Total Liabilities	10,593,443	10,256,870
EQUITY CAPITAL		
Redeemable Preferred Stock	N/A	8
Common Stock	242,747	233,807
Retained Earnings	488,291	450,765
Total Equity Capital	731,038	684,580
Total Liabilities and Equity Capital	11,324,481	10,941,450

STATEMENT OF CONDITION
TENNESSEE STATE CREDIT UNIONS
(in \$ thousands)

	1989	1990
ASSETS		
Unsecured Loans	\$ 290,119	\$ 311,420
Auto Loans	372,862	506,714
First Mortgage Real Estate	388,918	375,709
Other Real Estate	171,862	187,327
Agricultural Loans	1,879	1,987
Commercial Loans	1,020	15,710
All Other Loans to Members	271,714	89,992
Other Loans	9,315	1,613
Allowances for Loan Losses	N/A	(13,023)
Cash	46,251	44,102
U.S. Government and Agency Securities	157,113	224,475
Mutual Fund Shares	32,529	30,946
Corporate Central Credit Union Deposits	545,524	778,705
Commercial Bank Deposits	58,541	80,035
S&L and Mutual Savings Bank Deposits	90,590	80,702
NCUA Share Insurance Capitalization	4,817	5,232
Credit Union Deposits	1,233	2,736
Loans to Credit Unions	6	4
Other Investments	49,270	33,519
Allowances for Investment Losses	(376)	(707)
Premises and Fixed Assets	38,421	39,969
Other Real Estate Owned	N/A	3,067
Other Assets	46,443	34,444
Total Assets	2,578,051	2,834,678
LIABILITIES		
Promissory Notes	203	20
Reverse Repurchase Agreements	10,929	4,411
Other Notes and Interest Payable	10,793	7,492
Accounts Payable and Other Liabilities	19,800	5,233
Accrued Dividends Payable on Shares and Deposits	12,602	25,470
Share Certificates	710,280	876,764
Share Drafts	263,898	367,924
IRA/KEOGH & Retirement Accounts	253,000	294,559
All Other Shares	1,082,036	1,023,669
Total Liabilities	2,363,541	2,605,542
RESERVES		
Regular Reserve	106,934	106,239
Other Reserves	29,258	37,114
Undivided Earnings	78,318	85,783
Total Liabilities and Reserves	2,578,051	2,834,678

NOTE: This statement includes Volunteer Corporate Credit Union and Mutual Guaranty Corp.

STATEMENT OF CONDITION

TENNESSEE FEDERAL CREDIT UNIONS

(in \$ thousands)

ASSETS	1989	1990
Unsecured Loans	\$ 241,196	\$ 240,099
Auto Loans	285,387	408,824
First Mortgage Real Estate	317,244	363,945
Other Real Estate	117,990	115,120
Agricultural Loans	N/R	479
Commercial Loans	5,493	6,175
All Other Loans to Members	250,920	112,264
Other Loans	841	1,567
Allowances for Loan Losses	(8,717)	(9,290)
Cash	39,386	37,137
U.S. Government and Agency Securities	159,807	233,958
Mutual Fund Shares	9,192	5,536
Corporate Central Credit Union Deposits	100,780	144,066
Commercial Bank Deposits	68,686	130,047
S&L and Mutual Savings Bank Deposits	168,764	143,521
NCUA Share Insurance Capitalization	15,952	16,515
Credit Union Deposits	2,937	800
Loans to Credit Unions	1	0
Other Investments	44,531	5,203
Allowances for Investment Losses	(142)	(39)
Premises and Fixed Assets	34,473	37,401
Other Real Estate Owned	673	815
Other Assets	17,121	17,441
Total Assets	1,872,515	2,011,584
LIABILITIES		
Promissory Notes	3,455	3,116
Reverse Repurchase Agreements	3,870	0
Other Notes and Interest Payable	560	2,229
Accounts Payable and Other Liabilities	5,610	5,930
Accrued Dividends Payable on Shares and Deposits	36,630	16,152
Share Certificates	453,762	487,652
Share Drafts	135,411	146,126
IRA/KEOGH & Retirement Accounts	273,386	298,930
All Other Shares	827,301	902,277
Total Liabilities	1,739,985	1,862,412
RESERVES		
Regular Reserve	54,200	61,228
Other Reserves	9,595	9,175
Undivided Earnings	68,735	78,769
Total Liabilities and Reserves	1,872,515	2,011,584

**COMPOSITE ANNUAL REPORT OF ALL
INDUSTRIAL LOAN AND THRIFT COMPANIES
CALENDAR YEAR ENDING 1988 and 1989**

	<u>1988</u>	<u>1989</u>
Number of Offices included in this report	474	504
Number of Employees in state at year end	2,042	2,239

Regulated Loan Business Profit Percentages

Rate of Return

Average Net Receivables	\$780,811,015	\$1,006,395,033
Net Income	\$18,150,198	\$21,211,866
Rate of Return	2.32%	2.11%

Analysis of Charges on Loans

Charges Collected and/or Earned	\$194,183,517	\$236,398,336
Average Monthly Rate Collected	2.07%	1.96%

Analysis of Expense Per Account

Average Number of Accounts Outstanding	351,049	383,702
Total Expenses	\$176,882,435	\$219,651,883
Average Monthly Expense Per Account	\$41.99	\$47.70

Statement of Income and Expenses

Total Operating Income	\$194,183,517	\$236,398,336
Total Expenses Before Income Taxes	\$166,731,693	\$206,186,264
Income Before Income Taxes	\$27,451,824	\$30,217,923

Other Information

Interest Paid on Borrowed Funds	\$69,245,173	\$90,465,351
Number of Loans Made During Year	627,073	622,379
Dollar Volume of Loans Made During Year	\$717,569,228	\$842,397,979
Bad Debts	\$21,451,257	\$27,535,630
Bad Debts - Number of Accounts	22,997	26,666

**COMPOSITE ANNUAL REPORT OF ALL
INDUSTRIAL LOAN AND THRIFT COMPANIES
CALENDAR YEAR ENDING 1988 and 1989**

(Under \$300)

	<u>1988</u>	<u>1989</u>
Number of Offices included in this report	20	21
Number of Employees in state at year end	92	84

Regulated Loan Business Profit Percentages

Rate of Return

Average Net Receivables	\$3,165,767	\$3,519,700
Net Income	\$611,130	\$474,952
Rate of Return	19.30%	13.49%

Analysis of Charges on Loans

Charges Collected and/or Earned	\$3,160,635	\$3,490,278
Average Monthly Rate Collected	8.32%	8.26%

Analysis of Expense Per Account

Average Number of Accounts Outstanding	42,463	40,946
Total Expenses	\$2,549,598	\$3,015,315
Average Monthly Expense Per Account	\$5.00	\$6.14

Statement of Income and Expenses

Total Operating Income	\$3,160,635	\$3,490,278
Total Expenses Before Income Taxes	\$2,517,700	\$2,965,043
Income Before Income Taxes	\$642,935	\$525,234

Other Information

Interest Paid on Borrowed Funds	\$50,637	\$90,646
Number of Loans Made During Year	297,065	307,465
Dollar Volume of Loans Made During Year	27,903,009	39,187,288
Bad Debts	\$447,255	\$603,252
Bad Debts - Number of Accounts	7,308	8,300

**COMPOSITE ANNUAL REPORT OF ALL
INDUSTRIAL LOAN AND THRIFT COMPANIES
CALENDAR YEAR ENDING 1988 and 1989**
(Over \$300)

	<u>1988</u>	<u>1989</u>
Number of Offices included in this report	454	483
Number of Employees in state at year end	1,950	2,155

Regulated Loan Business Profit Percentages

Rate of Return

Average Net Receivables	\$777,645,248	\$1,002,875,333
Net Income	\$17,539,068	\$20,736,914
Rate of Return	2.26%	2.07%

Analysis of Charges on Loans

Charges Collected and/or Earned	\$191,022,882	\$232,908,058
Average Monthly Rate Collected	2.05%	1.94%

Analysis of Expense Per Account

Average Number of Accounts Outstanding	308,586	342,756
Total Expenses	\$174,332,837	\$216,636,568
Average Monthly Expense Per Account	\$47.08	\$52.67

Statement of Income and Expenses

Total Operating Income	\$191,022,882	\$232,908,058
Total Expenses Before Income Taxes	\$164,213,993	\$203,221,221
Income Before Income Taxes	\$26,808,049	\$29,692,689

Other Information

Interest Paid on Borrowed Funds	\$69,194,536	\$90,374,705
Number of Loans Made During Year	330,008	314,914
Dollar Volume of Loans Made During Year	\$689,666,219	\$803,210,691
Bad Debts	\$21,004,004	\$26,932,377
Bad Debts - Number of Accounts	19,689	18,366

EXPENDITURES AND FUNDING SOURCES

TENNESSEE DEPARTMENT OF FINANCIAL INSTITUTIONS

	Fiscal Year 1988 - 1989	Fiscal Year 1989 - 1990
CARRY FORWARD	<u>\$57,555.33</u>	<u>\$0.00</u>
REVENUES		
Bank Fees	\$3,074,441.75	\$3,981,080.54
Savings & Loan Fees	32,308.68	24,555.59
Credit Union Fees	894,784.20	932,678.85
Money Order Fees	48,654.93	52,796.33
Loan Company Fees	364,225.00	381,000.00
Insurance Premium Finance Company Fees	18,438.40	20,825.00
Mortgage Company Fees	35,700.00	29,100.00
Miscellaneous Fees	<u>14,962.84</u>	<u>4,694.58</u>
TOTAL REVENUES	<u>\$4,483,515.80</u>	<u>\$5,426,730.89</u>
TOTAL CARRY FORWARD AND REVENUES	<u>\$4,541,071.13</u>	<u>\$5,426,730.89</u>
EXPENDITURES		
Personal Services	2,748,122.28	3,195,546.44
Employee Benefits	<u>605,519.16</u>	<u>726,200.51</u>
TOTAL PAYROLL	<u>\$3,353,641.44</u>	<u>\$3,921,746.95</u>
Travel	426,867.07	495,868.84
Printing, Duplication and Film Processing	65,341.27	30,027.88
Utilities and Fuel	1,049.63	875.92
Communication and Shipping Costs	91,589.53	79,441.84
Maintenance, Repairs and Service	25,103.07	13,787.34
Professional and Administrative Services	124,464.22	147,583.83
Supplies	87,616.32	55,650.26
Rentals and Insurance	76,308.82	350,872.58
Awards and Indemnities	317.16	219.39
Unclassified Expenses	0.00	0.00
Grants and Subsidies	8,778.00	29,000.00
Equipment	74,345.00	17,379.32
Administrative Overhead	<u>0.00</u>	<u>215,000.00</u>
TOTAL OTHER	<u>\$981,780.09</u>	<u>\$1,435,707.20</u>
TOTAL CURRENT YEAR	<u>\$4,335,421.53</u>	<u>\$5,357,454.15</u>
PRIOR YEAR EXPENDITURES	<u>7,528.46</u>	<u>0.00</u>
TOTAL EXPENDITURES	<u>\$4,342,949.99</u>	<u>\$5,357,454.15</u>
EXCESS OF CARRY FORWARD AND REVENUES OVER EXPENDITURES	<u>\$198,121.14</u>	<u>\$69,276.74</u>

East Tennessee State University is fully in accord with the belief that educational and employment opportunities should be available to all eligible persons without regard to age, sex, color, race, religion, national origin, or handicap.

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In past years, the Annual Report has included detailed statistics on individual financial institutions and other data considered to be of interest to a limited audience. Although this information is not included in this report, in many cases it may be obtained by written inquiry to:

**Commissioner
Department of Financial Institutions
State of Tennessee
John Sevier Building
500 Charlotte Avenue
Nashville, TN 37243-0705**